What to Do With L.A.'s Bounty of 'Boomerang' Money?

By MARK RIDLEY-THOMAS

California's half-century experiment with redevelopment came to an abrupt end one year ago this month. Redevelopment agencies had historically collected the "tax increment," that is, the increase in property tax generated by new developments in defined areas, and used these funds to create a host of outstanding changes, including thriving communities in Hollywood, North Hollywood, Culver City, Long Beach and downtown Los Angeles, to name a few.

Redevelopment agencies also indulged in some abuses, as some among the 400-plus agencies in California used their funds for projects like golf courses, resort hotels and municipal salaries.

In 2011, Gov. Jerry Brown proposed fundamental reforms to redevelopment, and sought to reallocate unused funds held by redevelopment agencies for pressing statewide needs including education, health care and budgetary reform. Instead of cooperating, the agencies resisted the governor's efforts, and fought back in a series of ill-advised court battles that resulted in the sudden, and to many, unexpected elimination of redevelopment altogether.

Local agencies were forced almost immediately to relinquish all of their available funds; to create liquidation plans for all of their assets; and to return their entire tax increment to the state, counties and other taxing entities.

These funds, together with the passage of Proposition 30, have stabilized California's education programs, helped balance the state budget and accomplished many of the fiscal goals that the governor sought.

The largest share, 30 percent to 40 percent, of this money has been returned to counties. In short, the money that formerly went to redevelopment has not disappeared; it has merely been reallocated, and a large portion has come back to the Los Angeles County. We call this money, which is more than $100 million and is expected to grow to $400 million a year, the "boomerang funds."

Everyone in county government has an idea for the best use of these funds. Some have suggested backfilling underfunded public programs in safety or public health, or completing ambitious capital projects to relieve jail crowding, improve constituent service and provide for expanded medical care. Others have suggested using the funds for short-term operating deficits, legal settlements or employee benefits.

I, and I hope my colleagues, will not lose sight of the original purposes for these funds. For decades, redevelopment was our prime vehicle for encouraging the creation of low- and moderate-income housing, and for fighting "blight" in deteriorating portions of our community.

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Our lack of affordable housing is often cited, along with education, as a primary disability in our efforts to remain competitive for economic growth. Twenty percent of redevelopment funds were historically directed to support low- and moderate-income housing. I recently introduced a motion to the county Board of Supervisors to study how an appropriate amount of boomerang funds can be dedicated as a permanent source for affordable housing production. Perhaps this is an opportune time to raise the 20 percent to an even more ambitious level.

Redevelopment money was also used for small and local business development, and to eliminate "blight." Ours has become an economy of small businesses. The county has a successful track record incubating and supporting small businesses and providing small-business loans and bond support to entrepreneurs. As with affordable housing, a portion of the former redevelopment money should be allocated to continue these successful programs.

New ventures

In addition, the inflow of new funds to the county provides an opportunity to invest in new ventures, which stretch the roles of local government in facilitating economic growth. I have suggested that the county allocate several million dollars per year to create a biotech "angel fund," to be managed by professional fund managers and invested in promising startups in this field. Other jurisdictions have had great success by helping grow their own biotech startups.

Another portion might be allocated to supporting transit-oriented development. This would support our regional mobility, air quality and economic development goals.

Both of these funds could provide startup equity or revolving credit: investments not grants to promising ventures. As such, they would be both self-sustaining and ultimately profitable, with government serving as a "seed capital" service.

Above all, we need to remain economically competitive on the global stage. Organizations like the Los Angeles County Economic Development Corp. promote the interests of our region in the global marketplace. These efforts need our continuing collective support, including investment from private and public sources.

Out of the ashes of redevelopment comes an opportunity to rethink and reform our approaches to affordable housing development and economic competitiveness. Let's not squander this chance.

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